

REVISED ANALYSIS

Author: Cedillo Analyst: Deborah Barrett Bill Number: SB 1146
 Related Bills: See Legislative History Telephone: 8454301 Original Analysis Date: April 3, 2008
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: FTB Disclosure/Reciprocal Agreement With City/Delete Repeal Date & Allow Request For Any Other Information by Affidavit/City Provide Business Tax Program Information To FTB

____ REVENUE ESTIMATE CHANGED.

____ FURTHER CONCERNS IDENTIFIED.

____ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

X April 3, 2008, STILL APPLIES.

X OTHER – See comments below.

SUMMARY OF BILL

This bill would require a city that administers a business tax to provide specific data to the Franchise Tax Board (FTB) and would authorize a city to exchange data with FTB in lieu of obtaining mandated cost reimbursement.

SUMMARY OF REVISION

The April 3, 2008, summary analysis is being revised to include a new “Fiscal Cost” discussion for the provisions of the bill. The remainder of the department’s analysis of the bill as amended April 3, 2008, still applies.

POSITION

Pending.

FISCAL IMPACT

The provisions of this bill would result in approximately 450 cities providing files on an annual basis to FTB. Additional staff would be required to coordinate receipt of the files, establish secure electronic communication protocols with the cities, and test the quality of the data for departmental use. FTB estimates it will incur a one time cost of \$132,142 for technology changes and ongoing annual costs of \$708,068 in program support costs.

Board Position:

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Legislative Director

Date

Brian Putler

4/18/08

The current costs incurred by FTB for collecting and distributing tax data to the cities, which totaled \$260,000 in 2007, would no longer be reimbursed to FTB by the cities, but would still be incurred by FTB. FTB spent \$167,000 in 2007 to purchase city business tax data from cities, which would no longer be expended under this bill.

FTB estimates the first year cost to implement the provisions of the bill would be \$933,210, with annual ongoing costs of \$801,068, as reflected in the chart below.

Fiscal Costs for Implementation of SB 1146	
One-time Technology Costs	\$ 132,142
Ongoing Annual Program Costs	\$ 708,068.
FTB Costs to Collect And Distribute Tax Data to Cities	\$ 260,000
Less Costs Currently Spent to Purchase City Tax Data	\$ 167,000
Total First Year costs	\$ 933, 210
Total Ongoing Costs (less one time cost)	\$ 801,068

In addition, cities would be reimbursed in annual budget acts for costs to provide city business tax data to FTB. Based on U.S. Census data, FTB estimates that the ratio of business tax records in relation to city size is approximately 6.65%. Based on the total California city resident population of 32 million, FTB estimates the total number of records it would receive under this bill would be 2.1 million records. Based on current participation in the local government sharing, approximately 85% of the cities would obtain reimbursement in lieu of the reciprocal agreement, which results in approximately 1.9 million records to be reimbursed at a rate of \$1.00 per record. FTB estimates an annual cost of approximately \$ 1.9 million to reimburse cities for their business tax data. The chart below details this calculation.

**Estimated Annual Reimbursement to Cities
For City Business Tax Records**

City Residents	32,104,548
Volume of records as a percentage of population	6.65%
Estimate number of records	2,134,233
Percent of records requiring reimbursement	85.43%
Estimate # of records requiring reimbursement	1,900,000
Cost per record	\$1.00
Total estimate costs to reimburse cities	\$1,900,000

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